

CITY OF MUSKEGON

2000 CORPORATION INCOME TAX RETURN INSTRUCTIONS FOR FORM M-1120 FOR CORPORATIONS DOING BUSINESS IN MUSKEGON

FILING DATE:

Calendar year taxpayers must file by April 30, 2001. Fiscal year taxpayers must file within four (4) months after the end of their fiscal year.

REMITTANCE:

Tax due, if one dollar (\$1.00) or more, must be paid when filing the return. Make remittance payable to: CITY OF MUSKEGON.

MAILING ADDRESS:

Mail your return and remittance to:
INCOME TAX DEPARTMENT
P.O. BOX 29
MUSKEGON, MI 49443-0029

EFFECTIVE DATE OF TAX:

The Muskegon income tax became effective July 1, 1993. Corporations subject to the tax are required to file a return each year, commencing with their first year, calendar or fiscal, ending on or after July 1, 1993, and are required to pay the tax on that part of their net income attributable to business activity in Muskegon.

CORPORATIONS REQUIRED TO FILE:

Every corporation doing business in the City, whether or not it has an office or place of business in the City, and whether or not it has net profits, is required to file a City of Muskegon Corporation Income Tax return, Form M-1120.

Corporations cannot elect to file and be taxed as partnerships. (Likewise, partnerships cannot elect to file and be taxed as corporations.) This includes Sub-Chapter S Corporations.

The ordinance specifically exempts from taxation state and national banks, trust companies, building and loan associations, saving and loan associations, and credit unions.

Income of non-profit corporations which have applied for and received tax-exempt status under the Internal Revenue Code (IRC) is tax-exempt or taxable, in the case of unrelated business taxable income, as per the IRC. Non-profit corporations having tax-exempt status who have only tax-exempt income are not required to file a Muskegon return provided they submit, to the Administrator, a copy of their exemption approval from the Internal Revenue Service.

FILING DATE:

Calendar year taxpayers are required to file by April 30, 2001. Fiscal year taxpayers must file by the last day of the fourth month following the end of their fiscal year. Returns shall be filed using the same calendar year, fiscal year or other accounting period the taxpayer uses for federal income tax purposes.

EXTENSIONS:

Upon written request of the taxpayer, made on or before the due date for filing a return, the Administrator may extend the time for filing up to six months, or, where a longer extension has been granted by the Federal Internal Revenue Service, to one month beyond such extension. Payment of the tentative tax estimated to be due must accompany an extension request.

When an extension is granted, the Administrator will assign an extension number. This number is to be entered on the final return and on any correspondence required before filing the final return.

INSTRUCTIONS FOR PAGE 1:

Line 1a. Report the taxable income before net operation loss deduction and special deductions as shown on U.S. Corporation Income Tax Return, Form 1120, 1120-A or 1120S. Attach a copy of the Federal 1120, or 1120S and Schedule K, as filed with the Internal Revenue Service.

Line 1b. Optional method of reporting. REQUIRES PRIOR APPROVAL OF THE INCOME TAX ADMINISTRATOR. Enter the amount from Page 2, Schedule C, Line 30. Corporations reporting on the Separate Accounting Method (Schedule C option) are required to complete Schedule C on Page 2 and report the income on Line 1b of Page 1. See instructions for completing Schedule C.

Line 2. Enter the amount from Page 2, Schedule E, Column 1, Line 5. The items deducted on the federal return which are not deductible under the Muskegon Income Tax Ordinance.

Line 4. Enter the amount from Page 2, Schedule E, Column 2, Line 12. The items that are not taxable or are allowable deductions under the Muskegon Income Tax Ordinance but were not deductible on the federal return.

Line 6. Enter the amount of gain or loss from sale or exchange of property not subject to Muskegon Income Tax. Only the amount of gain or loss occurring from July 1, 1993, or the date the corporation became subject to the tax, to the date of disposition shall be recognized under the Muskegon income tax.

Line 8. Enter the Business Allocation Percentage from Page 2, Schedule D, Line 5, or if the use of a special allocation has been approved by the administrator, enter the allocation percentage and attach an explanation.

Line 10. Enter on this line the net capital loss carryover and net operating loss carryover applicable to Muskegon. Net operating losses sustained after July 1, 1993, may be carried forward up to 15 years following the loss year.

Corporation carryover losses are to be allocated to Muskegon at the percentage of business conducted in Muskegon in the year in which the loss was sustained. If all the corporation's business was not conducted in Muskegon in the year in which the loss was sustained, use the business allocation percentage formula to arrive at the deductible portion of the loss. If you did not allocate the loss reported on prior years' returns and you did not conduct 100% of your business in Muskegon, attach a schedule showing your computation for the amount reported on this line. No deduction will be allowed for net operating losses sustained prior to July 1, 1993.

SCHEDULE C - INSTRUCTIONS:

Taxpayers authorized to use the Separate Accounting Method, Sec. 19 of the Ordinance, as amended, rather than the three factor apportionment formula, Secs. 20-24, will enter only the amounts applicable to Muskegon business activity in Schedule C. To report under the separate accounting method, the taxpayer must regularly keep its books and records in such a manner as to show with reasonable accuracy the portion of its net profits attributable to work done, services performed or rendered, and other business activities conducted within the city. Generally a corporation that is unitary in nature, i.e. has central management, purchasing, warehousing, advertising, etc., cannot use separate accounting.

Line 15. - Depreciation. Use the same basis and method as used for Federal income tax reporting.

Line 16 - Contributions. Contributions are deductible to the same extent, and under the same limitations, as under the Federal Internal Revenue Code.

Lines 25 and 26 - Dividends and Interest. Taxpayers allocating on any basis other than separate accounting shall include all interest, dividends, and other non-operating income to arrive at the total income subject to the allocation percentage. Taxpayers using separate accounting shall include in income subject to tax a proportionate share of dividends, interest, and other non-operating income of the total corporation, using a direct allocation if the income is received by the divisions subject to the Muskegon tax, or apportioning it on the same basis as general administrative and overhead costs are apportioned to Muskegon activity.

Line 27 - Income, Rents and Royalties. Follow the same instructions here as for dividends and interest above.

Line 28 - Gain or Loss from Sale or Exchange of Property. Enter the total amount of gain or loss from sale or exchange of property for the same period as reported in this schedule. Only the amount of the gain or loss occurring from July 1, 1993, or the date the corporation became subject to the tax, to the date of disposition shall be recognized under the Muskegon income tax.

SCHEDULE D - INSTRUCTIONS:

The business allocation percentage formula is to be used by corporations with business activity both inside and outside the City of Muskegon.

Line 1. Enter in Column 1 the average net book value of all real and tangible personal property owned by the business, regardless of location. In Column 2 enter the net book value of the real and tangible personal property owned and located or used in the City of Muskegon. The average net book value of real and tangible personal property including inventories may be determined by adding the net book values at the beginning of the year and the net book values at the end of the year and dividing the sum thus obtained by two.

Line 1a. Enter in Column 1 the gross annual rent multiplied by 8 for all rented real property regardless of location. In Column 2 enter the gross annual rent multiplied by 8 for rented real property located in the City of Muskegon. Gross annual rent refers to real property only, rented or leased during the taxable period, and should include the actual sums of money or other consideration payable, directly or indirectly, by the taxpayer for the use or possession of such property.

Line 2. Enter in Column 1 the total compensation paid to all employees during the year. In Column 2 enter the amount of compensation paid to employees for work or services performed within the City of Muskegon during the year.

Line 3. Enter in Column 1 the total gross revenue from all sales or services rendered during the year. In Column 2 enter the amount of revenue derived from sales made or services rendered in the City of Muskegon during the year. If there is no regularly maintained sales force outside the city, this allocation factor must be 100% for businesses with no other business activity outside the city.

SCHEDULE E - INSTRUCTIONS:

Line 1. Use this line to adjust net profit for those items reflected in the taxable period which are attributable to any period prior to being subject to the Muskegon Income Tax.

Line 2. You must have a figure here if you deduct substantial amounts on 6, 7 and 8 of this schedule.

Line 6. The Muskegon City Income Tax Ordinance provides for the specific exclusion from the tax of interest from obligations of the United States, the states or subordinate units of government of the states.

Line 7. If you reported dividend income, enter on this line the amount of the dividend-received deduction allowed by the Federal Internal Revenue Code for dividends received.

Line 8. Taxpayers may deduct income, war profits and excess profits taxes imposed by foreign countries or possessions of the United States, allocable to income included in taxable net income, any part of which would be allowable as a deduction in determining federal taxable income under the applicable provisions of the Federal Internal Revenue Code.

If a foreign tax credit, rather than a foreign tax deduction was taken on your federal return, enter on line 8 the portion of the foreign tax credit which was grossed up and included in your Muskegon return as dividends received and enter on line 11 the "foreign taxes paid or accrued" portion of the foreign tax credit claimed on your federal return, not in excess of the federal limitations thereon. The balance of your foreign tax credit is not deductible.

Line 9. If you file an 1120S for federal purposes, all pass through items are reported on the M-1120, income and expenses. Income is reported on Line 4, Expenses on Line 9. Include a copy of Schedule K.

COMPUTATION AND PAYMENT OF TAX:

After computing the Muskegon income tax and deducting allowable credits, if there is any tax due, it must be paid when filing this return. Make check or money order payable to CITY OF MUSKEGON and mail with this return to the INCOME TAX DEPARTMENT, P.O. BOX 29, MUSKEGON, MI 49443-0029. If your payments and credits exceed the tax due, the over-payment will be refunded or it may be credited forward to the 2001 tax.

Refunds will be made as quickly as possible, but please allow 90 days before making an inquiry. Refunds of less than one dollar (\$1.00) will not be made. Tax due of less than one dollar (\$1.00) need not be paid.

DECLARATION AND PAYMENT OF ESTIMATED TAX:

1. WHO MUST FILE:

Every corporation subject to the tax on all or part of its net profits must file a Declaration of Estimated Income Tax (Form M-1040ES). A Declaration is not required from a corporation if the estimated tax is TWO HUNDRED FIFTY DOLLARS (\$250.00) or less.

2. WHEN AND WHERE TO FILE AND PAY:

A. Calendar Year Corporations: The Declaration for a calendar year must be filed on or before April 30th of that year. The estimated tax is payable in equal installments on or before April 30, June 30, September 30, and January 31.

B. Fiscal Year Corporations: The Declaration for a year, or period differing from the calendar year must be filed within four (4) months after the beginning of each year or period. Remaining installments will then be due on the last day of the 6th, 9th, and 13th months after the beginning of the fiscal year. For example, if your fiscal year begins on April 1, your Declaration will be due on July 31 and installments will be due on September 30, December 31 and April 30.

C. Filing and Payment: The Declaration should be filed with the INCOME TAX DEPARTMENT, 933 TERRACE, P.O. BOX 0029, MUSKEGON, MI 49443-0029. The first installment payment must accompany the Declaration. However, the estimated tax may be paid in full with the Declaration.

Assistance:

If you have any questions not answered by these instructions, or if you need assistance in preparing your return, please call (231) 724-6770. You may write or visit our office located in City Hall, 933 Terrace, Muskegon, Michigan 49440.

2000 CITY OF MUSKEGON M-1120

CORPORATION INCOME TAX RETURN

FOR CALENDAR YEAR 2000 OR OTHER TAXABLE PERIOD BEGINNING _____, 2000 AND ENDING _____, 20____.

IDENTIFICATION AND INFORMATION			
PLEASE TYPE OR PRINT	NAME OF CORPORATION	WHERE INCORPORATED	
		DATE INCORPORATED	
	NUMBER AND STREET	NATURE OF BUSINESS	
		TELEPHONE NUMBER	
	CITY, TOWN OR POST OFFICE	MAIN ADDRESS IN MUSKEGON	
		FEDERAL EMPLOYER IDENTIFICATION NUMBER	

<p>A. IS THIS A CONSOLIDATE RETURN? <input type="checkbox"/> YES <input type="checkbox"/> NO IF YES, LIST NAMES AND ADDRESSES OF INCLUDED CORPORATIONS IN AN ATTACHED STATEMENT SHOWING PERCENT OF VOTING STOCK OWNED IN EACH CORPORATION.</p> <p>B. LIST ADDRESSES OF MUSKEGON LOCATIONS INCLUDED IN THIS RETURN</p> <p>_____</p> <p>_____</p> <p>_____</p>	FOR AUDIT USE ONLY
<p>C. WAS YOUR FEDERAL TAX LIABILITY FOR ANY PRIOR YEAR ENDING AFTER 7/1/93 CHANGED BY EITHER A REVIEW BY THE FEDERAL GOVERNMENT OR THE FILING OF AN AMENDED FEDERAL RETURN? <input type="checkbox"/> YES <input type="checkbox"/> NO IF YES, ATTACH AN EXPLANATION IF AN AMENDED MUSKEGON RETURN WAS NOT FILED.</p>	
<p>D. NAME AND ADDRESS OF RESIDENT AGENT IN MICHIGAN</p>	

TAXABLE INCOME AND TAX COMPUTATION	
1. a. TAXABLE INCOME BEFORE NET OPERATING LOSS DEDUCTION AND SPECIAL DEDUCTION PER U.S. CORPORATION INCOME TAX RETURN FORM 1120, 1120-A OR 1120S. ATTACH A COPY OF FEDERAL FORM 1120, 1120-A OR 1120S AND SCHEDULE K AS FILED WITH THE IRS.	
b. INCOME FROM PAGE 2, SCHEDULE C, LINE 30 (SEPARATE ACCOUNTING METHOD) (PRIOR APPROVAL REQUIRED)	
2. ENTER ITEMS NOT DEDUCTIBLE UNDER MUSKEGON INCOME TAX ORDINANCE (FROM PAGE 2, SCHEDULE, COLUMN 1, LINE 5)	
3. TOTAL (ADD LINES 1 AND 2)	
4. ENTER ITEMS NOT TAXABLE UNDER MUSKEGON INCOME TAX ORDINANCE (FROM PAGE 2, SCHEDULE E, COLUMN 2, LINE 12)	
5. TOTAL (LINE 3 AND 4)	
6. ENTER AMOUNT OF GAIN OR LOSS FROM SALE OR EXCHANGE OF PROPERTY APPLICABLE TO PERIOD NOT SUBJECT TO TAX (ATTACH SCHEDULE)	
7. TOTAL INCOME (ADD LINES 5 AND 6)	
8. ALLOCATION PERCENTAGE FROM PAGE 2, SCHEDULE D, LINE 5 (IF ALL BUSINESS WAS CONDUCTED IN MUSKEGON, ENTER 100% ON LINE 8 AND DO NOT FILL IN SCHEDULE D ON PAGE 2)	%
9. TOTAL ALLOCATED INCOME (MULTIPLY LINE 7 BY LINE 8)	
10. LESS: APPLICABLE NET OPERATING LOSS CARRY-OVER AND/OR CAPITAL LOSS CARRY-OVER (SEE INSTRUCTIONS)	
11. TOTAL INCOME SUBJECT TO TAX (LINE 9 LESS LINE 10)	
12. CITY OF MUSKEGON INCOME TAX DUE (MULTIPLY LINE 11 BY 1%)	\$

PAYMENTS AND CREDITS	
13. a. TAX PAID WITH TENTATIVE RETURN	\$
b. PAYMENTS ON DECLARATION OF ESTIMATED MUSKEGON INCOME TAX	
c. OTHER CREDITS (EXPLAIN IN ATTACHED STATEMENT)	
14. TOTAL PAYMENTS AND CREDITS (ADD LINES 13a, b AND c)	\$

BALANCE DUE OR REFUND	
15. IF THE TAX DUE (LINE 12) IS LARGER THAN THE PAYMENTS (LINE 14), ENTER BALANCE DUE. MAKE REMITTANCE PAYABLE TO: CITY OF MUSKEGON. MAIL TO: INCOME TAX DEPARTMENT, P.O. BOX 29, MUSKEGON, MICHIGAN 49443-0029	\$
16. IF THE PAYMENTS (LINE 14) ARE LARGER THAN THE TAX DUE (LINE 12), ENTER OVERPAYMENT TO BE REFUNDED	\$
17. IF THE PAYMENTS (LINE 14) ARE LARGER THAN THE TAX DUE (LINE 12), ENTER OVERPAYMENT TO BE CREDITED TO 2001 ESTIMATED TAX	\$

MAIL TO: INCOME TAX DEPARTMENT, P.O. BOX 29, MUSKEGON, MICHIGAN 49443-0029

SIGN HERE	I DECLARE THAT I HAVE EXAMINED THIS RETURN (INCLUDING ACCOMPANYING SCHEDULES) AND TO THE BEST OF MY KNOWLEDGE AND BELIEF, IT IS TRUE, CORRECT AND COMPLETE. IF PREPARED BY A PERSON OTHER THAN THE TAXPAYER, THIS DECLARATION IS BASED ON ALL INFORMATION OF WHICH THE PREPARER HAS ANY KNOWLEDGE.			
	<input type="checkbox"/> I AUTHORIZE THE INCOME TAX DEPARTMENT TO DISCUSS THIS RETURN AND ATTACHMENTS WITH THE PREPARER.			
	DATE	SIGNATURE OF OFFICER	TITLE	PHONE
	DATE	INDIVIDUAL OR FIRM SIGNATURE OF PREPARER	ADDRESS	PHONE

SCHEDULE C - PROFIT (OR LOSS) FROM BUSINESS

PERIOD: FROM		TO	
ENTER PERIOD COVERED AND CHECK APPROPRIATE BOX TO INDICATE DATA USED FOR SCHEDULE C. <input type="checkbox"/> SEPARATE ACCOUNTING METHOD <input type="checkbox"/> INCLUDES OPERATIONS AT ALL LOCATIONS			
INCOME		BUSINESS DEDUCTIONS	
1. GROSS RECEIPTS	\$	12. COMPENSATION OF OFFICERS	\$
2. LESS: RETURNS AND ALLOWANCES		13. SALARIES AND WAGES - NOT DEDUCTED ELSEWHERE	
3. NET RECEIPTS - LINE 1 LESS LINE 2		14. RENTS	
COST OF GOODS SOLD		15. DEPRECIATION	
4. INVENTORY AT BEGINNING OF PERIOD		16. CONTRIBUTIONS	
5. MERCHANDISE BOUGHT FOR MANUFACTURE/SALE		17. TAXES	
6. SALARIES AND WAGES		18. INTEREST	
7. OTHER COSTS (ATTACH STATEMENT)		19. REPAIRS	
8. TOTAL - LINES 4 THROUGH 7		20. BAD DEBTS	
9. LESS: INVENTORY AT END OF PERIOD		21. OTHER (ATTACH STATEMENT)	
10. COST OF GOODS SOLD - LINE 8 LESS LINE 9		22. TOTAL BUSINESS DEDUCTIONS - ADD LINES 12 THROUGH 21	
11. GROSS PROFIT - LINE 3 LESS LINE 10		23. NET PROFIT OR LOSS - LINE 11 LESS LINE 22	
		25. DIVIDEND INCOME	
		26. INTEREST INCOME	
		27. INCOME FROM RENTS AND ROYALTIES	
		28. GAIN OR LOSS FROM SALE OR EXCHANGE OF PROPERTY (SEE INSTRUCTIONS)	
		29. OTHER INCOME	
		30. TOTAL INCOME - ADD LINES 23 THROUGH 29. ENTER HERE AND ON PAGE 1, LINE 1b	

SCHEDULE D - BUSINESS ALLOCATION FORMULA

	COLUMN 1 LOCATED EVERYWHERE	COLUMN 2 LOCATED IN MUSKEGON	COLUMN 3 PERCENTAGE (COLUMN 2 DIVIDED BY COLUMN 1)
1. a. AVERAGE NET BOOK VALUE OF REAL AND TANGIBLE PERSONAL PROPERTY	\$	\$	
b. GROSS ANNUAL RENT PAID FOR REAL PROPERTY ONLY, MULTIPLIED BY 8			
c. TOTALS (ADD LINES 1a AND b)			%
2. TOTAL WAGES, SALARIES, COMMISSIONS AND OTHER COMPENSATION OF ALL EMPLOYEES			%
3. GROSS RECEIPTS FROM SALES MADE OR SERVICES RENDERED			%
4. TOTAL PERCENTAGES - ADD THE THREE PERCENTAGES COMPUTED IN COLUMN 3, LINES 1c, 2 AND 3 (A PERCENTAGE MUST BE COMPUTED FOR EACH LINE)			%
5. BUSINESS ALLOCATION PERCENTAGE (ONE-THIRD OF LINE 4) ENTER HERE AND ON PAGE 1, LINE 8			%
IN DETERMINING THE BUSINESS ALLOCATION PERCENTAGE (LINE 5), A FACTOR SHALL BE EXCLUDED FROM THE COMPUTATION ONLY WHEN SUCH FACTOR DOES NOT EXIST ANYWHERE IN SO FAR AS THE TAXPAYER'S BUSINESS OPERATION IS CONCERNED, IN SUCH CASES, THE SUM OF THE REMAINING PERCENTAGES SHALL BE DIVIDED BY THE NUMBER OF FACTORS ACTUALLY USED.			
IN THE CASE OF A TAXPAYER AUTHORIZED BY THE INCOME TAX ADMINISTRATOR TO USE ONE OF THE SPECIAL FORMULAE, ATTACH AN EXPLANATION AND USE THE LINES PROVIDED BELOW:			
a. NUMERATOR		c. PERCENTAGE (a. DIVIDED b.) ENTER HERE AND ON PAGE 1, LINE 8	
b. DENOMINATOR		d. DATE OF ADMINISTRATOR'S APPROVAL LETTER	

SCHEDULE E - ADJUSTMENTS

SCHEDULE E IS USED TO ADJUST THE INCOME REPORTED ON PAGE 1, LINES 1a OR 1b TO GIVE EFFECT TO THE REQUIREMENTS OF THE MUSKEGON INCOME TAX ORDINANCE. THE PERIOD OF TIME USED TO COMPUTE ITEMS FOR SCHEDULE E MUST BE THE SAME AS THE TIME PERIOD USED TO REPORT INCOME ON PAGE 1, LINES 1a OR 1b. SCHEDULE E ENTRIES ARE ALLOWED ONLY TO THE EXTENT DIRECTLY RELATED TO NET INCOME AS SHOWN ON PAGE 1, LINES 1a OR 1b.			
PERIOD: FROM		TO	
COLUMN 1 ADD - ITEMS NOT DEDUCTIBLE		COLUMN 2 DEDUCT - ITEMS NOT TAXABLE AND ALLOWABLE DEDUCTIONS	
1. ADJUSTMENTS TO INCOME RELATING TO PRIOR PERIODS (SEE INSTRUCTIONS)	\$	6. INTEREST FROM U.S. OBLIGATIONS AND FROM UNITED STATES GOVERNMENT UNITS	\$
2. ALL EXPENSES (INCLUDING INTEREST) INCURRED IN CONNECTION WITH DERIVATION OF INCOME NOT SUBJECT TO MUSKEGON INCOME TAX		7. DIVIDENDS RECEIVED DEDUCTION	
3. MUSKEGON INCOME TAX PAID OR ACCRUED		8. FOREIGN TAX DEDUCTION	
4. OTHER (SUBMIT SCHEDULE)		9. JOB CREDIT	
		10. ADDITIONAL DEPRECIATION DUE TO INVESTMENT CREDIT ADJUSTMENT	
		11. OTHER (SUBMIT SCHEDULE)	
5. TOTAL ADDITIONS (ADD LINES 1 THROUGH 4) ENTER HERE AND ON PAGE 1, LINE 2	\$	12. TOTAL DEDUCTIONS (ADD LINES 6 THROUGH 11) ENTER HERE AND ON PAGE 1, LINE 4	\$